

**Meeting Notes
Power O&M Cost Suballocation**

**May 14, 2002
City of Roseville**

Attendees:

Chase Hurley, Panoche Water District
Frances Mizuno, San Luis and Delta Mendota
Kathryn Kitchell, Roseville
George Senn, CVPWA
Steve Richardson, Western Area Power
Lynn Hurley, SCVWD
Ed Roman, SMUD
Tom Ruthford, Reclamation
Donna Daughety, Reclamation
Tom Kabat, City of Palo Alto Utilities (Phone)

Bernard Erlich, City of Palo Alto Utilities
Michael Bloom, Roseville Electric
Ron Jacobsma, Friant Water Users
Michael Hagman, TCCA
Jerry Toenyes, Northern CA Power Agency
Russ Harrington, Westlands
Tasia Papajohn, Reclamation
Martin Bauer, Reclamation
Melinda Grow, Western Area Power

The website address is: www.mp.usbr.gov/cvo/power/costsub.html. The “in progress documents” can only be viewed by the members on the workgroup. Login and passwords have been given to all members.

Western will answer the questions from the April meeting at the June meeting. Those questions are:

1. What are the projects to which GWA costs are allocated?
2. Prorating of the Administration major groupings (Power users accounting and collecting, conservation and renewable energy, power marketing and general power resources planning, general Western allocation, administrative and general, and movable property depreciation) and how they are broken down – a weighting and basis of allocation Western uses?
3. How is movable property allocated? Are line trucks included? What portion of movable property is for O&M?
4. Why is the AG&E so small for 1998?
5. Treatment of contributed funds? How will Western show these expenses? (Reclamation shows customer advanced funding like appropriated dollars and expensed out when spent. Expenses show up on the Scheduled 16.)

Tom Ruthford was available to answer the questions on the Reclamation financial statements.

1. Why are negotiation costs of water contracts being charged to power (CVPIA)?
2. Where did the dollars associated with the CVPIA go – what expense does the power program pay for?

Answer 1 & 2: These costs should not have been expensed – should have been capitalized. In FY99, Reclamation made an adjustment and these costs were transferred to the capitalized SGL account 199A. A team has been established to evaluate the allocation of all CVPIA costs. .

Action: Reclamation needs to provide more information on the CVPIA cost adjustment and how PEIS costs are now be collected and capitalized.

3. Why did the AG&E for CVPIA go from \$1.3 million in 1997 to \$0 in 1998?

Answer: Reclamation had started to eliminate the AG&E due to the implementation of the SPOC (Standard Processes of Costing) guidelines, which requires direct charging to the projects; and the change from a “traditional” budget structure to the new programmatic budget structure. .

4. What is the carriage system expense that the power program is allocated?

Answer: These expenses are for the Delta Mendota Canal, Red Bluff Diversion Dam, Tehama Colusa Canal, and O’Neill Pump Generating plant Level 2 water deliveries to refuges.

5. What are the costs allocated to power in water marketing?

Answer: Prior to FY-01, water-marketing costs were treated as costs associated with CVP and costs associated with anything that benefited the CVP were shared with all the CVP benefiting functions. After FY-01, these costs are charged to only water, M&I and irrigation.

Action: Reclamation needs to research the directive on water marketing and provide the documentation to the group. The documentation should include an updated definition of water marketing if one exists.

6. Why is Friant being charged power expenses when they have no power plants?

Answer: These costs were allocated from water marketing cost authorities which are treated as costs associated with CVP and costs associated with anything that benefited the CVP overall were shared by all the functions.

7. How is the interest on investment calculated?

Answer: Tom handed out the paper entitled, “Annual Interest Expense Calculation for CVP and Washoe Power Investment” to answer this question. (Will be posted on internet site)

8. Revenue calculations? Explore the revenue stream? (Martin to provide write-up on how this done)

Answer: This write up has been completed and sent to Reclamation’s solicitor. Waiting on approval and when approved will provide to the group.

There was some concern that the previous questions where not totally answered and would impact the ability to capture all possible solutions. Reclamation will provide further information at the next meeting.

After the financial discussion, we discussed the process and time line. It will be posted on the internet site. We will continue to work toward an end date of October 2002. This will involve some additional meetings to begin processing the proposed solutions into formulas. A sub workgroup was formed that will work on this. That consists of:

Russel Harrington	Lynn Hurley	Ron Jacobsma	Steve Richardson
Martin Bauer	Jerry Toenyas	Bernard Erlich	Kathryn Kitchell
George Senn	Ed Roman	Donna Daughety	

This group will meet June 6, 2002, at 9:30 a.m. at the CVO Office, 3310 El Camino, Sacramento, and again on June 12, 2002 at 1 p.m. at the CVO Office.

Next Meetings

June 13, 2002, 9:00 a.m. to 3:00 p.m. – Western Area Power Office (map will be provided)

July 17, 2002, 9:00 a.m. to 3:00 p.m. – SMUD Offices

August 29, 2002, 9:00 a.m. to 3:00 p.m. – CVO or Los Banos

September 19-20, 2002, to be determined

Action Items

- Western and Reclamation will respond to the questions raised regarding the financial statements.
 - Reclamation needs to provide more information on the CVPIA cost adjustment and how PEIS costs are now collected and capitalized.
 - Reclamation needs to research the directive on water marketing and provide the documentation to the group. The documentation should include an updated definition of water marketing if one exists.
- Reclamation will post the FY2000 and FY2001 Schedule 16's on the web site.
- Western to provide electronic copies of the handouts from the March meeting place on the website.